

ASSESSMENT AREA CENSUS TRACT

STATE	MSA	COUNTY	CENSUS TRACT	MINORITY TRACT	MINORITY TRACT %	TRACT INCOME CATG	PERCENT MEDIAN
27	40340	39	9504.00	6.18%	<10%	80% - 120%	84.14
27	99999	47	1801.00	8.84%	<10%	80% - 120%	110.01
27	99999	47	1810.00	6.99%	<10%	80% - 120%	93.66
27	99999	99	0001.00	21.85%	20% - <50%	80% - 120%	96.40
27	99999	99	0002.00	27.11%	20% - < 50%	80% - 120%	101.35
27	99999	99	0003.00	46.51%	20% - < 50%	50% - 80%	75.48
27	99999	99	0004.10	44.29%	20% - < 50%	50% - 80%	44.40
27	99999	99	0006.00	30.19%	20% - < 50%	80% - 120%	86.88
27	99999	99	0008.00	35.77%	20% - < 50%	80% - 120%	85.71
27	99999	99	0009.00	25.64%	20% - < 50%	80% - 120%	103.39
27	99999	99	0010.00	8.46%	<10%	80% - 120%	103.05
27	99999	99	0012.00	4.61%	<10%	80% - 120%	118.88
27	99999	99	0013.00	6.60%	<10%	80% - 120%	102.02
27	99999	99	0014.00	5.32%	<10%	80% - 120%	115.40

Income as % of MSA Median
(# of Tracts in Range)

- >= 120% (371)
- 80% < 120% (1315)
- 50% < 80% (367)
- 0.01% < 50% (100)
- All Others

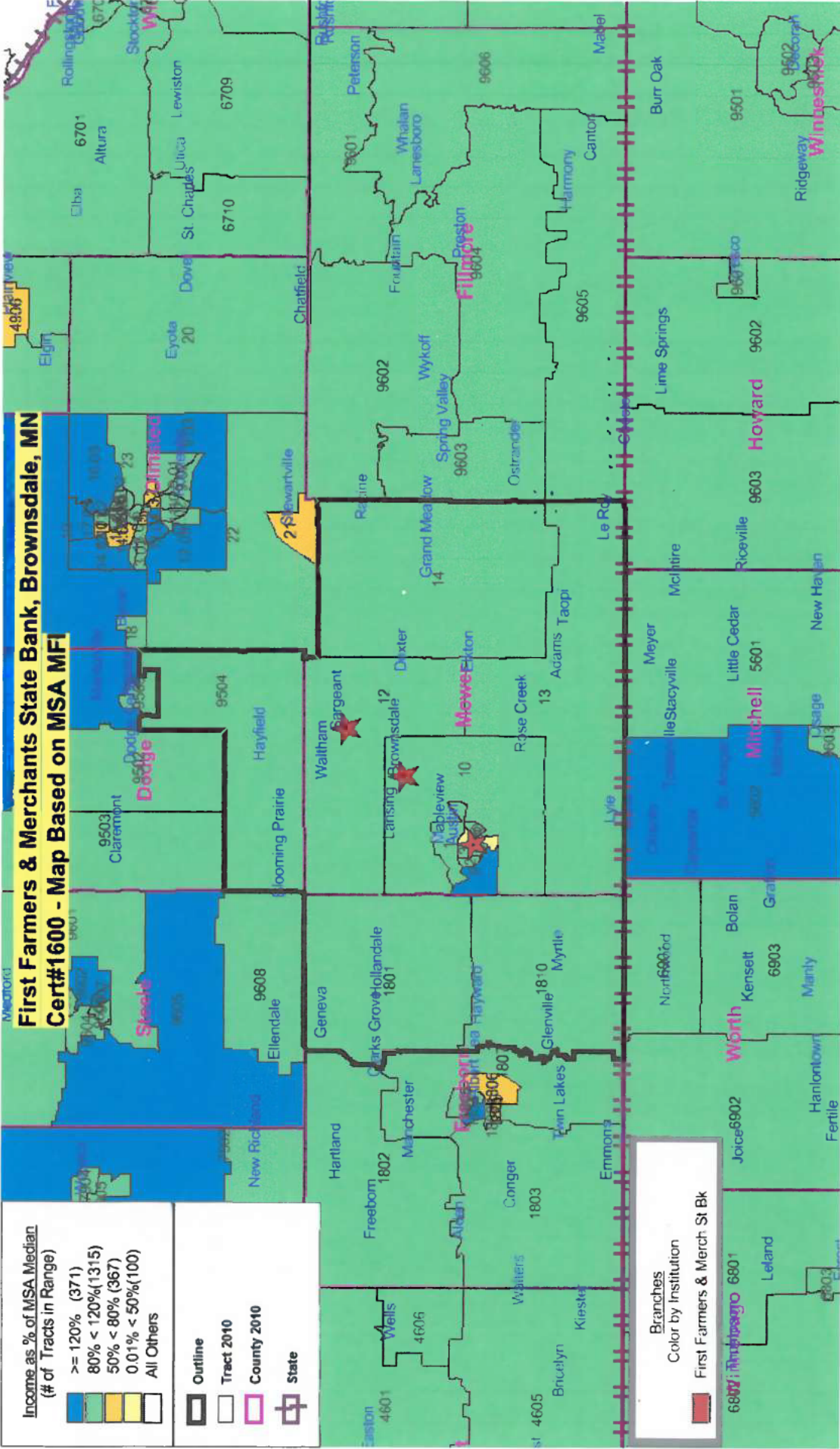
Outline

- Tract 2010
- County 2010
- State

Branches
Color by Institution

- First Farmers & Merch St Bk

First Farmers & Merchants State Bank, Brownsdale, MN Cert#1600 - Map Based on MSA MFI



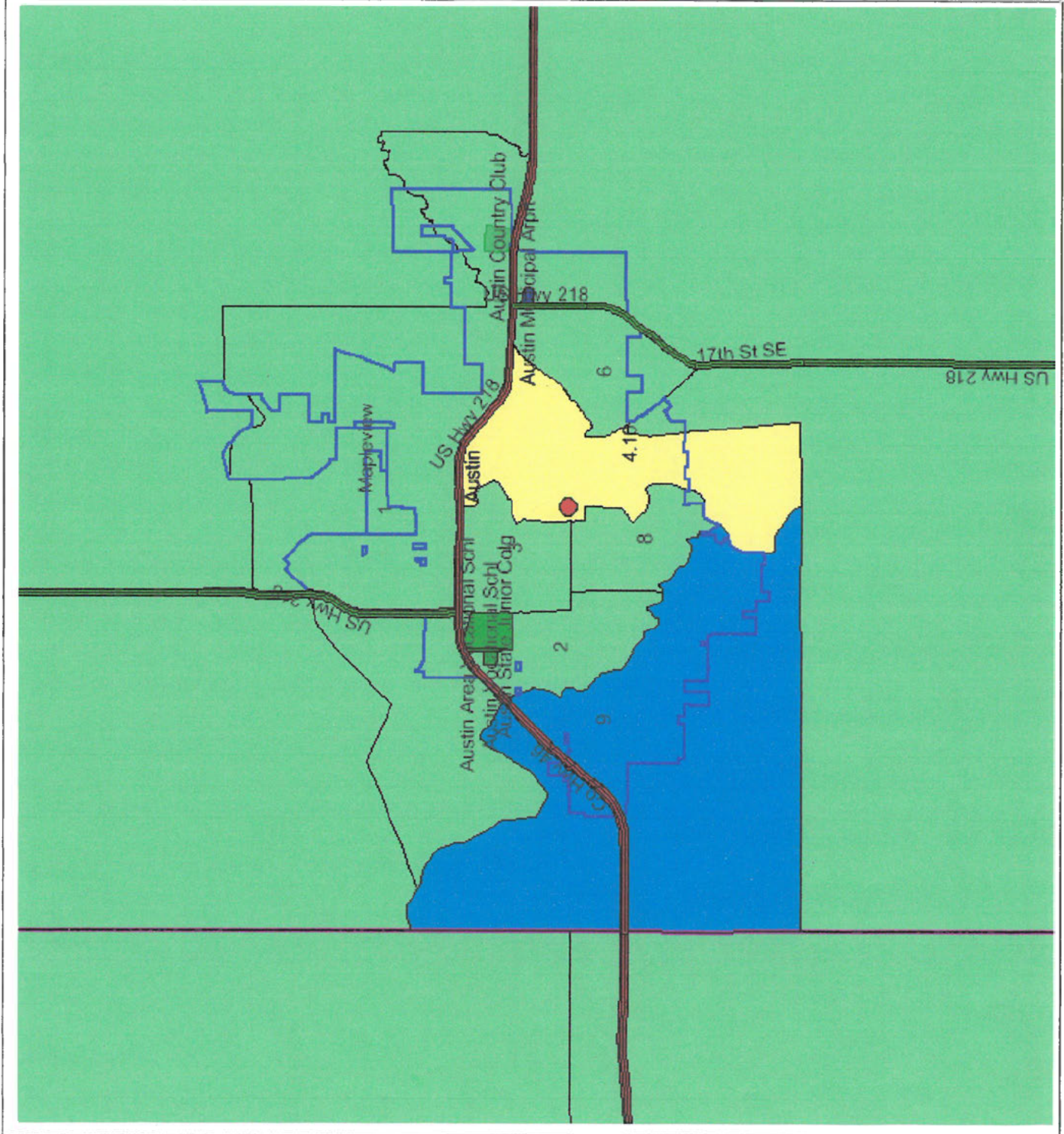
Branches
Color by Institution
First Farmers & Merch St



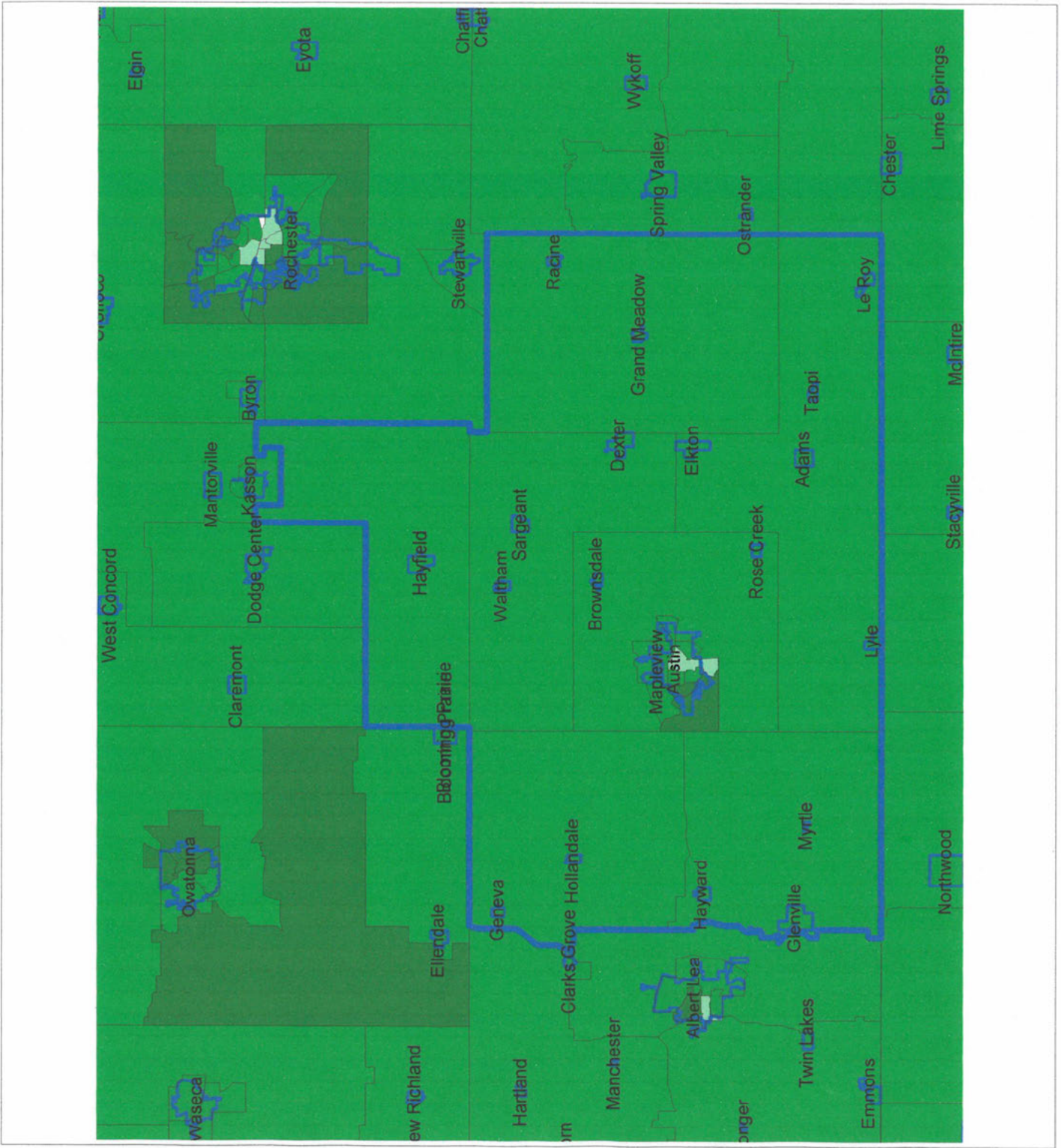
- Outline
- All Major Roads
- Place
- Tract 2010
- Airport Area
- Golf Course
- Hospital Area
- School Area
- Municipal Parks
- County 2010
- State

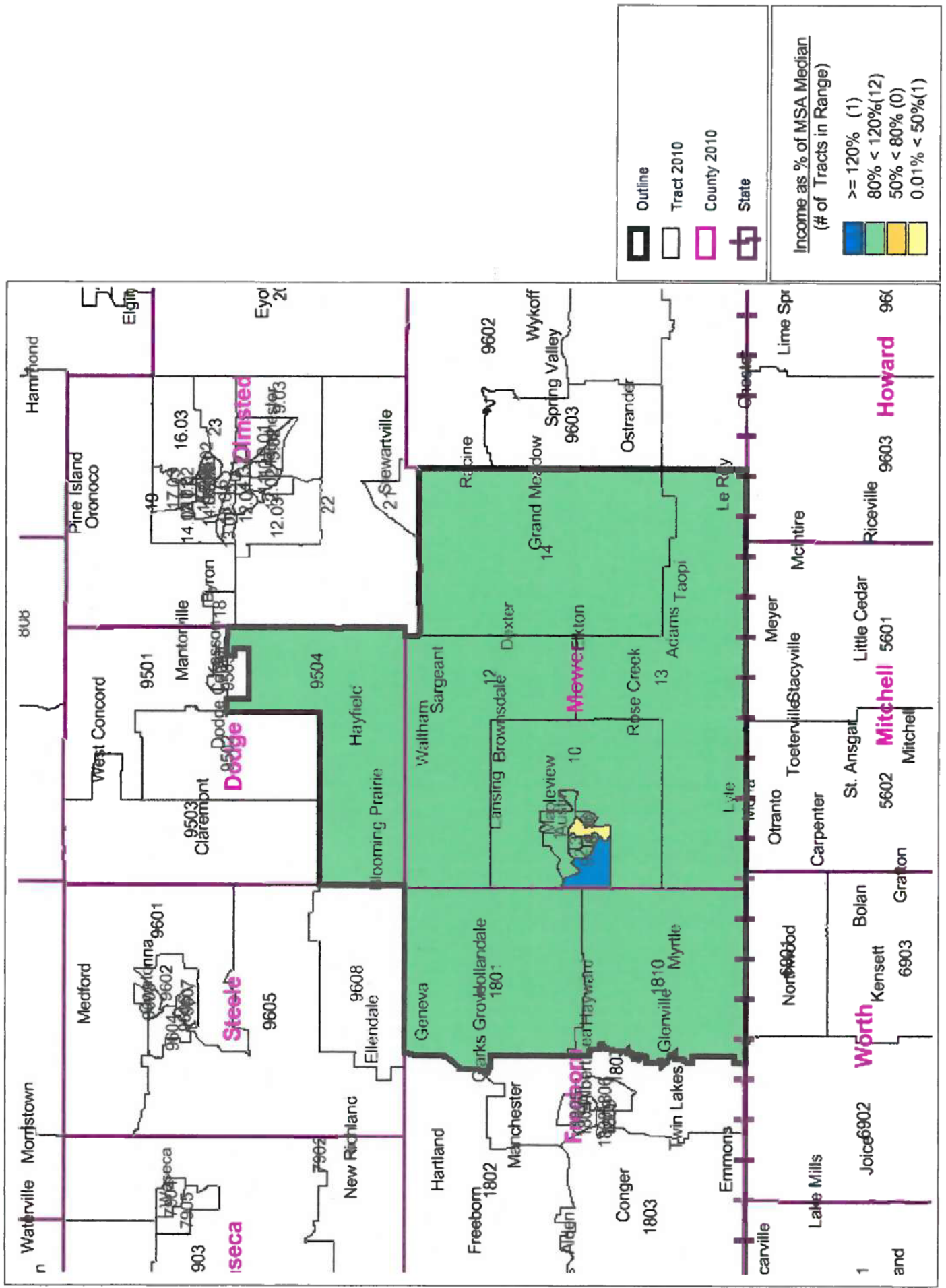
Income as % of MSA Median
(# of Tracts in Range)

- >= 120% (1)
- 80% < 120%(12)
- 50% < 80% (0)
- 0.01% < 50%(1)



First Farmers & Merchants state Bank - % of Median Income





FIRST FARMERS & MERCHANTS STATE BANK

BROWNSDALE & AUSTIN

MAIN FACILITY

FIRST FARMERS & MERCHANTS STATE BANK
106 WEST MAIN STREET
PO Box 157
BROWNSDALE, MN 55918-0157

PHONE: 507-567-2219
FAX: 507-567-2406

Monday thru Friday – LOBBY 9.00 a.m. – 4.00 p.m. DRIVE UP 9.00 a.m. – 4.00 p.m.

ATM LOCATION: LOBBY ENTRANCE
CENUS TRACT: 10

BRANCH OFFICE

FIRST FARMERS & MERCHANTS STATE BANK
128 NORTH MAIN STREET
AUSTIN, MN 55912-0397

PHONE: 507-433-3473
FAX: 507-433-9014

Monday thru Friday –LOBBY 9am - 4:00 p.m. – DRIVE UP 8:30 am – 4.30 pm

Saturday - DRIVE UP 9am-12:00pm

ATM LOCATION: DRIVE UP ENTRANCE
CENSUS TRACT: 4.10

2023 Banking Hours

Revised: March 1, 2024

LIST OF BRANCHES OPENED OR CLOSED:

CURRENT YEAR TO DATE:

NONE

PRIOR 2 YEARS:

2023 – None

2022 – None



SERVICES AND PRICING

Limits and Fees: The following fees may be assessed against your account and the following transaction limitations, if any, apply to your account:

Account Activity Printout/Statement Copy (per statement): \$5.00

Account Research/Reconciliation: \$25.00 per hour

Account Closing

If account is closed within 6 months of opening: \$25.00

Debit Card

Foreign ATM fee: ATM machines not owned by FF&M or

MoneyPass network fee: \$1.00 (per transaction)

Overnight Replacement Card: \$100.00

Replacement Card Fee: \$15.00

Card Limits

\$510 ATM daily limit

\$1,000 point of sale daily limit

(Point of sale limit applies to FF&M Debit Cards only)

**Dormant Account Fee (per month for up to 12 months):
\$5.00 per month if balance in the account is less than \$50.**

Inactive Account: An account is considered inactive after 13 months of no transaction activity. No fee for inactive accounts.

Dormant Account: An account is considered dormant after 18 months of no transaction activity.

Abandoned Account: An account is considered abandoned after receiving one piece of undeliverable mail and all attempts to locate the owner have failed. No fee for abandoned accounts.

Internet Banking: No charge

Bill Pay (per month): \$4.95

First 3 months: no charge

Platinum Checking customers: no charge

Enhanced eCorp customers: no charge

Basic eCorp for Business Banking: no charge

Enhanced eCorp for Business Banking (per month): \$21.95

First 3 months: no charge

Merchant Capture for Basic eCorp customers (per month):
\$39.95

First 3 months: no charge

Merchant Capture for Enhanced eCorp customers (per
month): \$20.00

First 3 months: no charge

eCorp Third Party Sender Fee (per month): \$100.00

Collection Items

Domestic and Foreign Collection Item: \$25.00 (per item)

Paper Statement Fee: \$5.00 per month, effective 30 days after account opening date, fee is waived when you enroll in e-Statements

Miscellaneous Items

Cashier's Check: \$5.00 (per check)

Check Printing: fee depends on style of check ordered

Copy of Imaged Item: \$3.00 (per item)

Counter Check: \$1.00 (per check)

Stop Payment Fee: \$30.00

Effective for six months

Photocopies: \$0.25 (per sheet)

Garnishment/Execution Levy: \$75.00

Deposit of Canadian Checks: \$8.00 (per check)

Personal Money Order: \$5.00

Gift Card (per card): \$3.95

Travel Card (per card): \$5.95

Travel Card Reload Fee: \$2.95

Returned Deposited Item Fee (per check) for Business
Accounts only: \$10.00

Deposit Bags - Zippered (each): \$5.00

Deposit Bags - Locked After Hours Bag: \$35.00

Safe Deposit Box

Lost Safe Deposit Box Key: \$30.00

Drilling Safe Deposit Box Fee (minimum): \$200.00 or actual cost if higher

Overdraft Paid Item and NSF Returned Item Charges

Continuous Overdraft Charge: \$3.00 per day

A Continuous Overdraft Charge is assessed every business day the account has a negative balance. Checks and other withdrawals authorized by you which the bank pays as well as previous bank fees may result in a negative balance. This applies to checking and savings accounts.

Overdraft Paid Item Fee (per item): \$25.00

NSF Returned Item Fee (per item): \$25.00

The Overdraft Paid Item fee and NSF Returned Item fee applies to overdrafts created by check, in-person withdrawal, or by other electronic means, as applicable. An item or payment may be presented multiple times and may incur fees each time it is presented; we do not monitor or control the number of times a transaction is presented for payment. This applies to checking and savings accounts. (\$150.00 maximum/day)

Wires

Incoming Wire Transfer fee (Domestic): \$25.00

Incoming Wire Transfer fee (International): \$25.00

Outgoing Wire Transfer fee (Domestic): \$25.00

Outgoing Wire Transfer fee (International): \$75.00

Outgoing International Wires after 1:00 pm Monday through Friday will be processed on the next business day.

Outgoing Domestic Wires after 3:00 pm Monday through Friday will be processed on the next business day.

Incoming Wires received by 4:00 pm Monday through Friday will be processed the same business day.

Deposit Services

Everyday Banking
Golden Opportunity Checking
Platinum Checking
Interest Checking
Statement Savings
Savers Plus Savings
Minor Savings
Custodial Savings (UTMA)
Business Checking
Business Savings
Certificates of Deposit
Night Depository
Bank by Mail
Cashier's Checks
Health Savings
IRA Savings
IRA Certificate of Deposits
Merchants Credit Cards
FF&M Cash & Check Debit Card
Direct Deposits
ACH Origination
Ready Check Personal Line of Credit
Internet Banking
On-line Bill Payment
Alert Notifications
E-Statement
Imaged Statements
Mobile Banking
Mobile Deposits

Other Services

Coin Counting
Safe Deposit Boxes
Wire Transfer
Credit Card
Laminating Service
Notary Service
US Savings Bonds Redeeming
Faxing
Photocopies

Loans Products Offered

Commercial Loans

- Small Business Loans
- Large Business Loans
- Inventory Loans
- Receivable Loans
- Equipment Loans
- Real Estate Loans

Agricultural Loans

- Operating
- Livestock
- Real Estate
- Equipment

Practices Loan Program

- Rural Finance Authority - Young Farmer Program
- FSA Guarantee Loan Program

SBA Loan programs

Community Development Loans

Residential Real Estate Mortgages

- Secondary Market (Referral Program)
- 1 – 4 Family
- Multiple Family

Consumer & Installment Loans

- Home Improvement Loans
- Auto Loans
- Personal Loans
- Boat Loans
- Motorcycle Loans
- Recreational Vehicle Loans

MHFA – Fix Up Fund Loans

Letters of Credit

Home Equity Loans or Line of Credit

PUBLIC DISCLOSURE

March 20, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Farmers & Merchants State Bank
Certificate Number: 1600

106 W Main Street
Brownsdale, Minnesota 55918

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

First Farmers & Merchants State Bank's Community Reinvestment Act (CRA) performance under the applicable performance criteria supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of small farm and small business loans reviewed were located inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

First Farmers & Merchants State Bank (FFMSB) is chartered in Brownsdale, Minnesota and is wholly owned by 215 Holding Co., a multi-bank holding company based in Minneapolis, Minnesota. FFMSB operates its main office in Brownsdale and a branch office in Austin, Minnesota. The bank closed its Sargeant, Minnesota branch office on November 30, 2018, which was located in a middle-income census tract. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated February 21, 2017, based on Interagency Small Institution Examination Procedures.

FFMSB offers a wide range of loan products, including agricultural, commercial, home mortgage, and consumer loans. FFMSB's business focus continues to be agricultural lending, followed by commercial lending. Home mortgage and consumer loans are offered; however, to a much lesser degree. The bank also offers agricultural loans through the Rural Finance Authority, Farm Service Agency, Agricultural Best Management Practices Program, and Farmer Mac. Additionally, FFMSB offers commercial loans through the Small Business Administration (SBA), including participation in the SBA Paycheck Protection Program.

The institution provides a variety of deposit services including checking, savings, health savings accounts, and certificates of deposit. In addition to traditional banking services, customers have access to a network of ATMs; online banking, including electronic bill pay and periodic statements; and mobile banking, including mobile deposit.

As of December 31, 2022, assets totaled approximately \$98,894,000, loans totaled \$72,960,000, and deposits totaled \$77,797,000. The bank's loan portfolio distribution is illustrated in the following table.

Loan Portfolio Distribution as of December 31, 2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	4,357	6.0
Secured by Farmland	18,291	25.1
Secured by 1-4 Family Residential Properties	4,927	6.8
Secured by Multifamily (5 or more) Residential Properties	448	0.6
Secured by Nonfarm Nonresidential Properties	11,480	15.7
Total Real Estate Loans	39,503	54.2
Commercial and Industrial Loans	14,905	20.4
Agricultural Production and Other Loans to Farmers	16,285	22.3
Consumer Loans	615	0.8
Other Loans	1,652	2.3
Total Loans	72,960	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet its assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. FFMSB designated a single contiguous assessment area in Minnesota that has not changed since the previous evaluation. The assessment area consists of census tract 9504.00 in Dodge County, census tracts 1801.00 and 1810.00 in Freeborn County, and all census tracts in Mower County, Minnesota. Dodge County is located in the Rochester, Minnesota Metropolitan Statistical Area (MSA), and Freeborn and Mower counties are located in the nonmetropolitan area of Minnesota. Both bank offices are located in Mower County.

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area is comprised of 1 low-income, 1 moderate-income, and 12 middle-income census tracts. The assessment area does not contain any upper-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	7.1	7.1	85.7	0.0	0.0
Population by Geography	48,601	10.1	10.6	79.3	0.0	0.0
Housing Units by Geography	20,958	11.1	9.6	79.4	0.0	0.0
Owner-Occupied Units by Geography	14,322	4.2	6.5	89.3	0.0	0.0
Occupied Rental Units by Geography	4,992	27.8	16.7	55.5	0.0	0.0
Vacant Units by Geography	1,644	19.8	14.8	65.5	0.0	0.0
Businesses by Geography	3,431	13.0	6.8	80.2	0.0	0.0
Farms by Geography	539	0.6	0.2	99.3	0.0	0.0
Family Distribution by Income Level	12,792	21.7	19.6	23.0	35.8	0.0
Median Family Income MSA - 40340 Rochester, MN MSA		\$94,698	Median Housing Value			\$136,430
Median Family Income Nonmetropolitan Minnesota		\$74,737	Median Gross Rent			\$742
			Families Below Poverty Level			7.8%

*Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(* The NA category consists of geographies that have not been assigned an income classification.*

According to 2022 D&B data, service industries represent the largest portion of business operations at 30.0 percent; followed by non-classifiable establishments at 16.3 percent; and agriculture, forestry, and fishing at 13.6 percent. Additionally, 67.6 percent of assessment area businesses have four or fewer employees, and 90.5 percent operate from a single location.

Competition

The assessment area is a moderately competitive market for credit products and financial services. According to Consolidated Reports of Condition and Income (Reports of Condition) data filed by financial institutions, there are 17 financial institutions operating 23 locations within the assessment

area. These institutions range from small community banks to larger national financial institutions. FFMSB is ranked 6th with 6.5 percent of the deposit market share.

FFMSB is not required to collect or report small farm or small business CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank's small farm or small business lending performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small farm and small business loans and the level of competition within the assessment area. According to 2021 aggregate CRA data (most recent available), 14 CRA data reporters collectively reported 312 small farm loans originated within the counties in the assessment area. Additionally, 51 CRA data reporters collectively reported 1,041 small business loans originated within the counties in the assessment area. These figures do not include the number of loans originated by smaller institutions that are not required to report small farm or small business lending data but operate within the assessment area. The overall volume of small farm and small business lending in the assessment area reflects a competitive market.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners conducted a community contact interview with a representative of a government organization that serves the assessment area.

Overall, the contact noted that the agricultural economy of Mower County is excellent. With regards to the farming demographics, the contact noted that the population is getting older; however, there seems to also be more new producers starting the last few years. The contact discussed that larger farms have excellent profitability, while medium to small farms need and rely on off-farm income. The contact further stated that operating-related financing is switching to larger national outfits that use crop insurance to guarantee the loan. Overall, the contact indicated that local bank performance pertaining to agricultural lending has been good.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm and small business loans represent the primary credit needs of the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated February 21, 2017, to the current evaluation dated March 20, 2023. Examiners used Interagency Small Institution Examination Procedures to evaluate FFMSB's CRA performance. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix.

Activities Reviewed

Examiners determined that the bank's major product lines are agricultural loans followed by commercial loans. This conclusion considered discussions with management regarding the bank's business strategy, review of bank records of the number and dollar volume of loans originated during the evaluation period, and a review of the Reports of Condition data. Small farm loans received the most weight when deriving overall conclusions. This is consistent with management's stated business focus and the volume of loans originated. Examiners did not review home mortgage lending activities because it is not a business focus of the institution and the low volume of home mortgages loans originated by the bank would not provide material support for conclusions.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small farm and small business loans originated or renewed in 2022, as this period was considered representative of the bank's performance during the entire evaluation period. D&B data for 2022 provided a standard of comparison for the bank's small farm and small business lending performance.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans originated inside the assessment area were further reviewed to evaluate the Geographic Distribution criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of small farm and small business loans originated or renewed inside the assessment area. The table below provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	131	18,930	47	6,447
Small Business	65	6,848	30	2,714

Source: 2022 Bank Data

While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of farms and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FFMSB demonstrated satisfactory performance under the Lending Test. The bank's performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 82.6 percent over the past 24 calendar quarters from March 31, 2017, to December 31, 2022. The ratio ranged from its current high of 92.8 percent as of December 31, 2022 to its low of 71.3 percent as of September 30, 2021. As illustrated in the following table, FFMSB's average net loan-to-deposit ratio is second highest of the comparable institutions. Examiners selected comparable institutions based on their asset size, lending focus, and geographic location

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/22 \$(000s)	Average Net LTD Ratio (%)
First Farmers & Merchants State Bank of Grand Meadow Grand Meadow, MN	97,650	88.7
First Farmers & Merchants State Bank Brownsdale, MN	98,894	82.6
First State Bank Minnesota Le Roy, MN	93,409	72.9
Produce State Bank Hollandale, MN	122,054	56.1
<i>Source: Reports of Condition 03/31/2017 through 12/31/2022</i>		

Assessment Area Concentration

FFMSB originated a majority of small farm and small business loans within the assessment area as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	106	80.9	25	19.1	131	15,712	83.0	3,218	17.0	18,930
Small Business	50	76.9	15	23.1	65	4,119	60.1	2,729	39.9	6,848
<i>Source: 2022 Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's small business lending performance is excellent; however, examiners gave more weight to the reasonable small farm lending performance when forming conclusions. Examiners focused on the percentage of lending by number of loans in the one low-income and one moderate-income census tract within the assessment area.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable penetration throughout the assessment area. The following table shows the bank's lending in the one low-income census tract slightly exceeds demographic data. Although the bank did not originate any small farm loans in the one moderate-income census tract, only 0.2 percent of farms in the assessment area are located in this census tract, which greatly limits the bank's lending opportunities. Overall, the bank's performance is comparable to demographic data and considered reasonable.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.5	1	0.9	17	0.1
Moderate	0.2	0	0.0	0	0.0
Middle	99.3	105	99.1	15,695	99.9
Totals	100.0	106	100.0	15,712	100.0

*Source: 2022 D&B Data; 2022 Bank Data
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. The following table shows the bank's lending in both the low- and moderate-income census tracts exceeds demographic data. Management stated, and aggregate CRA data confirmed, there is competition in the assessment area for small business loans. Considering the level of competition present and that the bank's small business performance in the one low- and one moderate-income census tract exceeds demographic data, the bank's lending performance is excellent.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	13.0	9	18.0	964	23.4
Moderate	6.8	6	12.0	530	12.9
Middle	80.2	35	70.0	2,625	63.7
Totals	100.0	50	100.0	4,119	100.0

*Source: 2022 D&B Data; 2022 Bank Data
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The bank's lending performance demonstrates reasonable penetration among farms and businesses of different revenue sizes. The bank's reasonable small farm and small business lending performance supports this conclusion. Examiners focused on the percentage of lending to farms and businesses with gross annual revenues of \$1 million or less.

Small Farm Loans

The distribution of sampled small farm loans reflects reasonable penetration to farms of different sizes. The following table shows that FFMSB's lending performance to farms with gross annual revenues of \$1 million or less lags demographic data. Management stated that the bank faces strong competition for agricultural loans in the assessment area, including cooperatives. Reports of Condition data, CRA aggregate data, and the community contact confirm the bank operates in a competitive market. Furthermore, according to 2017 Agricultural Census data, the most recent available, 46.2 percent of farms in Mower County did not report interest expenses, indicating that they do not borrow funds for their operations. Given these factors, performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.5	40	85.1	4,977	77.2
>1,000,000	0.9	7	14.9	1,470	22.8
Revenue Not Available	0.6	0	0.0	0	0.0
Total	100.0	47	100.0	6,447	100.0

*Source: 2022 D&B Data, 2022 Bank Data
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of sampled small business loans reflects reasonable lending penetration to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, the bank's lending performance to businesses with gross annual revenues of \$1 million or less is slightly lower than demographic data. As stated previously, there is competition for small business loans throughout the assessment area as evidenced by CRA aggregate data. Considering lending performance is only slightly lower than demographic data and the level of competition present, performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.5	23	76.7	1,674	61.7
>1,000,000	4.4	7	23.3	1,040	38.3
Revenue Not Available	11.1	0	0.0	0	0.0
Total	100.0	30	100.0	2,714	100.0

*Source: 2022 D&B Data, 2022 Bank Data
Due to rounding, totals may not equal 100.0%*

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

List of All Public Comments Received by the Bank

CURRENT YEAR TO DATE – None

PRIOR 2 YEARS:

2023 – None

2022 – None

LOAN TO DEPOSIT RATIO
FIRST FARMERS & MERCHANTS STATE BANK
BROWNSDALE & AUSTIN

First Farmers & Merchants month end Loan to Deposit Ratio for the 2023 calendar year, reported on a quarterly basis, as stated in the First Farmers & Merchants Call Reports and reported in the Uniform Bank Performance Report, is as follows.

March 31, 2023	83.30%
June 30, 2023	85.01%
September 30, 2023	84.62%
December 31, 2023	97.13%